

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15

STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 OPIC-03 XMB-02 /112 W  
----- 106570

R 241452Z NOV 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3549

INFO AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY STOCKHOLM

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION OECD PARIS

USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: INTERAGENCY STUDY OF TRADE ADJUSTMENT

ASSISTANCE PROGRAM

REF: STATE 27 38 97

1.SUMMARY: THE FRG HAS SEVERAL PROGRAMS DESIGNED TO FACILITATE  
ADJUSTMENTS IN INDUSTRIAL SECTORS WHICH ENCOUNTER  
STRUCTURAL PROBLEMS. LONG-TERM ERP (EUROPEAN RECOVERY  
PROGRAM) LOANS AT CONCESSIONARY RATES ARE AVAILABLE  
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FOR PURCHASE OF NEW PLANT AND EQUIPMENT. EXTENSIVE

PROGRAMS HAVE BEEN DEVELOPED UNDER THE GERMAN MANPOWER DEVELOPMENT ACT FOR RETRAINING WORKERS IN NEW SKILLS. COMMUNITIES MAY BE ELIGIBLE FOR ASSISTANCE UNDER REGIONAL DEVELOPMENT PROGRAMS. HOWEVER, REGIONAL AID PROGRAMS ARE DESIGNED TO OFFSET GEOGRAPHIC DISADVANTAGES RATHER THAN ASSIST SECTORAL ADJUSTMENTS. THE CRITERIA FOR PROVIDING ASSISTANCE TO FIRMS OR WORKERS IS KEYED TO THE EXISTENCE OF A STRUCTURAL PROBLEM RATHER THAN TO PARTICULAR CAUSES OF STRUCTURAL PROBLEMS SUCH AS IMPORT COMPETITION OR TECHNOLOGICAL CHANGE. BECAUSE OF HIGH SHARE OF FOREIGN TRADE IN GERMAN ECONOMY, MOST STRUCTURAL PROBLEMS ARE AT LEAST PARTLY TRADE-RELATED. HOWEVER, THE FRG DOES NOT HAVE ANY ADJUSTMENT ASSISTANCE PROGRAMS SPECIFICALLY TIED TO IMPACT OF IMPORTS. END SUMMARY.

2. MANPOWER PROGRAMS TO ASSIST UNEMPLOYED IN THE FRG ARE OPERATED BY THE FEDERAL EMPLOYMENT SERVICE (BUNDESANSTALT FUER ARBEIT - BFA), A SEMI-GOVERNMENT SELF-ADMINISTERED AGENCY WITH A TRIPARTITE EXECUTIVE BOARD (GOVERNMENT, LABOR, MANAGEMENT) WHICH ALSO ADMINISTERS THE GERMAN UNEMPLOYMENT INSURANCE SYSTEM. THE BFA HAS ITS OWN BUDGET WHICH IS DERIVED FROM WORKER-EMPLOYER CONTRIBUTIONS (PAYROLL TAX), BUT ALSO RECEIVES GOVERNMENT SUBSIDIES TO MEET LEGAL REQUIREMENTS.

3. THE 1969 MANPOWER DEVELOPMENT LAW (ARBEITSFORDERUNGSGESETZ) ESTABLISHED THE FOLLOWING TASKS FOR THE FEDERAL EMPLOYMENT SERVICE:

A) DEVELOPMENT OF LABOR MARKET AND STRUCTURAL MANPOWER POLICIES IN ACCORDANCE WITH ECONOMIC DEVELOPMENTS;

B) PREVENTION OF UNEMPLOYMENT AND CREATION OF NEW JOBS;

C) ACHIEVEMENT OF A HIGHER DEGREE OF WORKER MOBILITY THROUGH VOCATIONAL UPGRADING AND RETRAINING PROGRAMS. (RECENTLY THE GOVERNMENT ANNOUNCED NEW LIMITED OFFICIAL USE

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TRANSFER ALLOWANCES RANGING FROM DM 500 TO DM 1.400 AND ALLOWANCES OF DM 4,000 TO DM 6,000 FOR HOUSEHOLD FURNISHING FOR UNEMPLOYED REQUIRED TO MOVE TO ACCEPT JOB OFFERS.)

D) PROMOTION OF THE INTEGRATION OF HANDICAPPED PERSONS INTO THE WORKING PROCESS;

E) DEVELOPMENT OF PROGRAMS TO ACHIEVE THE VOCATIONAL  
INTEGRATION OF WOMEN, AS WELL AS OF OLDER WORKERS  
OR OTHER HARD TO EMPLOY GROUPS;

F) PROVIDING LOANS AND GRANTS TO FIRMS SUPPORTING  
THE GOVERNMENT ECONOMIC DEVELOPMENT PROGRAMS.

4. ACCORDING TO GOVERNMENT CLAIMS, THE EMPLOYMENT  
EFFECT OF THE DM 1.6 BILLION ALLOCATED FOR THE ABOVE  
PROGRAMS DURING 1975 AND 1976 AMOUNTED TO ABOUT 200,000.  
NEW PROGRAMS TO INCREASE MOBILITY COSTING DM 420  
MILLION INTRODUCED IN NOVEMBER 1976 WILL CREATE AN  
ADDITIONAL 200,000 JOBS DURING 1977, ACCORDING TO

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ACTION EB-07

INFO OCT-01 EUR-12 EA-07 IO-13 ISO-00 AGRE-00 CEA-01

CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05

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STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00

OMB-01 OPIC-03 XMB-02 /112 W  
----- 106836

R 241452Z NOV 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3550

INFO AMEMBASSY THE HAGUE

AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY STOCKHOLM

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION GENEVA

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GOVERNMENT FORECASTS.

5. UNDER THE ARBEITSFOERDERUNGSGESETZ, EMPLOYERS ARE COMMITTED TO INFORM THE COMPETENT STATE EMPLOYMENT OFFICE 12 MONTHS IN ADVANCE OF ANY OPERATIONAL CHANGES WHICH WILL RESULT IN SUBSTANTIAL LAY-OFFS. UNDER THE KUENDIGUNGSSCHUTZGESETZ (LAW TO PROTECT AGAINST UNJUSTIFIED DISMISSALS) EMPLOYERS ARE REQUIRED TO INFORM THE COMPETENT EMPLOYMENT OFFICE IN ADVANCE ON ANY LIMITED OFFICIAL USE

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CONTEMPLATED MASS DISMISSALS, DEFINED AS THE LAY-OFF OF MORE THAN 50 WORKERS PER MONTH. FURTHERMORE, THE 1972 INDUSTRIAL RELATIONS ACT REQUIRES MANAGEMENT AND WORKS COUNCIL TO COOPERATE IN PERSONNEL PLANNING, AND TO WORK OUT A SO-CALLED "SOCIAL PLAN" IF MASS LAY-OFFS OR THE SHUT-DOWN OF A PLANT OR PLANT DEPARTMENT BECOME UNAVOIDABLE. SUCH PLANS WOULD GENERALLY PROVIDE FOR THE TRANSFER OF HARD-TO-EMPLOY GROUPS TO OTHER JOBS IN THE SAME ESTABLISHMENT, AND THE GRANTING OF SEPARATION ALLOWANCES OR OTHER TYPES OF COMPENSATION TO THOSE WORKERS WHO HAVE TO BE DISMISSED. THE DEVELOPMENT OF SUCH A PLAN CAN BE ENFORCED BY LABOR COURT DECISION IF THE EMPLOYERS AND WORKS COUNCIL FAIL TO REACH AN AGREEMENT.

6. IN THE TEXTILE AND CLOTHING INDUSTRIES, WHICH HAVE SUFFERED FROM COMPETITION BY CHEAP IMPORTS IN RECENT YEARS, EMPLOYERS AND UNION HAVE DEVELOPED ADDITIONAL INSTRUMENTS TO MEET THE CHALLENGE. IN JOINT NEGOTIATIONS WITH THE FEDERAL ECONOMICS MINISTRY THEY SUCCEEDED IN OBTAINING FRG SUPPORT FOR A MORE RESTRICTIVE EC STAND IN NEGOTIATING THE MULTI-FIBER AGREEMENT WHICH PROVIDES FOR CERTAIN VOLUNTARY RESTRICTIONS OF THE EXPORTING COUNTRIES (E.G., HONG KONG, TAIWAN AND SINGAPORE, AND COMECON COUNTRIES) AND PRACTICALLY SETS IMPORT QUOTAS FOR CERTAIN TEXTILE AND CLOTHING PRODUCTS. FURTHERMORE, THE UNION NEGOTIATED COLLECTIVE AGREEMENTS COVERING THE FEDERAL AREA PROVIDING FOR PROTECTIVE PROVISIONS FOR WORKERS AFFECTED BY ANY RATIONALIZATION PROGRAMS:

A) WORKERS OVER 55 YEARS OF AGE WITH AT LEAST 10 YEARS' SENIORITY HAVE FULL DISMISSAL PROTECTION;

B) WORKERS TRANSFERRED TO LOWER-PAYING JOBS ARE GRANTED SOME SORT OF COMPENSATION;

C) WORKERS SCHEDULED FOR LAY-OFF ARE OFFERED EMPLOYER-FINANCED RETRAINING COURSES FOR ANOTHER OCCUPATION IN THE SAME OR ANOTHER INDUSTRY WITH FULL WAGE PAYMENTS CONTINUED FOR A SIX-MONTHS PERIOD.  
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7. PROTECTIVE PROVISIONS FOR OLDER WORKERS AFFECTED BY RATIONALIZATION PROGRAMS WERE NEGOTIATED ALSO IN OTHER MAJOR INDUSTRIES, SUCH AS IN THE METAL MANUFACTURING AND CHEMICAL INDUSTRIES.

8. THE PROBLEM OF STRUCTURAL CHANGES IN THE COAL INDUSTRY WHICH BECAME PARTICULARLY ACUTE DURING THE 60'S WAS SOLVED WITH THE ASSISTANCE OF EEC FUNDS (MONTANUNION) THROUGH "SOCIAL PLANS" NEGOTIATED BETWEEN MANAGEMENT AND WORKS COUNCIL, RETRAINING PROGRAMS OPERATED BY BFA, AND A SYSTEM OF IMPORT QUOTAS, SUCH AS A LIMIT OF 6 MILLION TONS OF COAL ANNUALLY FOR IMPORTS

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OMB-01 OPIC-03 XMB-02 /112 W

----- 106962

R 241452Z NOV 76  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 3551  
INFO AMEMBASSY THE HAGUE  
AMEMBASSY PARIS  
AMEMBASSY LONDON  
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FROM THE USA.

9. IN CASE OF TEMPORARY DIFFICULTIES WHICH OTHERWISE  
WOULD RESULT IN STRUCTURAL UNEMPLOYMENT, EMPLOYERS IN  
THE FRG TEND TO RESORT TO PART-TIME WORK, WITH THE LOSS  
OF WAGES FOR THE INDIVIDUAL WORKER BEING PARTLY COMPEN-  
SATED THROUGH BFA.

10. ERP LOANS ARE OFFERED UNDER STRICT CRITERIA FOR  
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THE PURCHASE OF NEW PLANT AND EQUIPMENT NEEDED TO  
ADJUST TO MAJOR SECTORAL STRUCTURAL CHANGES. CUT-  
BACKS IN SALES OR ORDERS MUST BE THE CONSEQUENCE OF  
CHANGED MARKET CONDITIONS, AND OLDER MACHINERY MUST  
EITHER BE DISMANTLED OR SET ASIDE. THIS PROGRAM IS  
THUS DESIGNED TO FORCE FIRMS TO ADOPT NEW TECHNOLOGY  
OR TO CHANGE OVER TO PRODUCTION OF DIFFERENT GOODS.  
ONLY IN RARE INSTANCES HAVE THESE ERP LOANS BEEN USED  
TO CHANGE PRODUCTION TO A DIFFERENT PRODUCT, BUT LOANS  
FOR UPGRADING PRODUCTION PROCESSES FOR PRODUCING THE SAME  
PRODUCT HAVE BEEN MORE COMMON. TERMS ARE UP TO 10  
YEARS, WITH NO REPAYMENT OF PRINCIPAL UP TO 2 YEARS.  
INTEREST IS 6.5 PERCENT (5.5 PERCENT IN AREAS NEAR  
EAST GERMANY/CZECH BORDER). PREFERENCE IS GIVEN TO  
SMALL OR MIDDLE-SIZED FIRMS. THUS THE UPPER LIMIT  
FOR LOANS IS DM 1,000,000 AS A RULE.

11. PLEASE SEE PREVIOUS EMBASSY REPORTS COVERING  
PERTINENT LEGISLATION OR OTHER DEVELOPMENTS FOR

ADDITIONAL BACKGROUND INFO:

A-336 LABOR DIGEST 5/29/69

A-525 ARBEITSFOERDERUNGSGESETZ 5/29/69

A-179 2/4/71

A-1019 11/22/71

A-117 INDUSTRIAL RELATIONS LAW 12/23/71

BONN 19549 UNEMPLOYMENT PROGRAMS 12-19-74

A-117 FEDERAL AND STATE AID FOR COMMERCIAL INVESTMENT  
3/18/75

A-551 FRG SUBSIDIES REPORT 11-24-75

BONN 17685 10-29-75

A-344 ERP PROGRAM 11/22/76

12. ACTION REQUESTED: PLEASE PASS ABOVE INFORMATION  
ALSO TO STAFFDEL TIMOTHY BARNICLE (SEE STATE 257290)  
WHO ALSO REQUESTED ABOVE INFORMATION.  
STOESSEL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, TRADE, STUDIES, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 NOV 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ElyME  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976BONN19866  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760437-0697  
**From:** BONN  
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**Line Count:** 349  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 7  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 STATE 27  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** ElyME  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 14 APR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
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**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** INTERAGENCY STUDY OF TRADE ADJUSTMENT ASSISTANCE PROGRAM  
**TAGS:** ETRD  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006